

Message Text

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PAGE 01 JAKART 03794 250808Z POSS DUPE
ACTION EB-08

INFO OCT-01 EA-07 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 FEAE-00 FPC-01 H-01 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-06
SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /094 W
-----251428Z 097244 /44

R 250706Z MAR 77
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 0032
INFO AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY SINGAPORE
AMEMBASSY TOKYO
AMCONSUL MEDAN
AMCONSUL SURABAYA

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E.O. 11652: N/A
TAGS: ENRG, ID
SUBJECT: GOI ANNOUNCES FREEZE ON DOMESTIC OIL PRICES

REF: 76 JAKARTA 4384

1. GOI MINES MINISTER SADLI ANNOUNCED TO PRESS MARCH 21 THAT
GOI WILL NOT INCREASE PRICES FOR DOMESTICALLY CONSUMED PETROLEUM
PRODUCTS ON APRIL 1 AS HAS BEEN CUSTOM IN RECENT YEARS. LAST
YEAR'S INCREASE AVERAGED 17 PERCENT.

2. SADLI'S ANNOUNCEMENT APPARETNLY CONFLICTS WITH STATEMENT
MADE BY MINFIN WARDHANA BEFORE PARLIAMENT IN LATE JANUARY THAT
GOI, BECAUSE OF INCREASE IN PRODUCTION COSTS, WOULD HAVE TO
MAKE UPWARD ADJUSTMENTS IN PRICES. AT PRESENT, LITER OF
KEROSENE IS CHEAPER IN JAKARTA THAN CUP OF TEA (18 RPS/LITER
VS. 25 RPS/CUP). THIS KEROSENE PRICE AMOUNTS TO ABOUT
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\$7.00/BARREL OR NEARLY HALF OF CURRENT EXPORT PRICE FOR
MINAS CRUDE.

3. COMMENT THERE IS LITTLE QUESTION THAT, IN FACE OF
MAY ELECTIONS, GOI OPTED FOR POLITICAL EXPEDIENCY OVER
ECONOMIC CONSIDERATIONS IN DECIDING NOT TO RAISE PRICES.
MEMORY OF LAST YEAR'S PRICE INCREASE, WHICH PRODUCED SOME

SPONTANEOUS BUT BRIEF OUTBURSTS FROM STUDENTS IN BOGOR, JAKARTA AND BANDUNG UNIVERSITIES, UNDOUBTEDLY HAS NOT FADED. SADLI STATEMENT SAID NOTHING ABOUT POSSIBLE PRICE HIKE AFTER ELECTIONS, HOWEVER. END COMMENT.

4. MEANWHILE, CONSUMPTION OF PETROLEUM PRODUCTS, ENCOURAGED BY ARTIFICALLY LOW PRICES, CONTINUES TO RISE APACE. PERTAMINA ESTIMATES CALL FOR TOTAL CONSUMPTION IN 1977 OF 17 BILLION LITERS FUEL (MOSTLY KEROSENE AND DIESEL OIL), 27 PERCENT INCREASE OVER PREVIOUS YEAR. TO MEET THIS EMAND, PERTAMINA HAS COMPLETED CRASH \$4 MILLION PROGRAM TO INCREASE FUEL DISTRIBUTION AND STORAGE FACILITIES.

5. PERTAMINA ALSO INTENDS TEMPORARILY DIVERT LARGER SHARE CERTAIN LIGHT CRUDES AWAY FROM EXPORT MARKET FOR USE BY DOMESTIC REFINERIES. THIS IS DONE TO INCREASE REFINING YIELDS OF CERTAIN PRODUCTS SUCH AS KEROSENE WHICH GOI DOES NOT WANT TO RUN OUT OF BEFORE ELECTION. PERTAMINA PRESIDENT HARYONO RECENTLY TOLD JAPANESE DURING TOKYO VISIT THAT INDONESIA MIGHT NOT BE ABLE MAKE MORE OIL AVAILABLE AT PRESENT TIME BECAUSE OF RISING DOMESTIC CONSUMPTION.

NEWSOM

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